

**TWIN RIVERS
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORT
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
Officials	1
Independent Auditor's Report	2-3
Management's Discussion and Analysis	4-12
Basic Financial Statements:	<u>Exhibit</u>
Government-wide Financial Statements:	
Statement of Net Assets	A 13
Statement of Activities	B 14-15
Governmental Fund Financial Statements:	
Balance Sheet	C 16-17
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D 18
Statement of Revenues, Expenditures and Changes in Fund Balances	E 19-20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F 21
Proprietary Fund Financial Statements:	
Statement of Net Assets	G 22
Statement of Revenues, Expenses and Changes in Fund Net Assets	H 23
Statement of Cash Flows	I 24
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	J 25
Statement of Changes in Fiduciary Net Assets	K 26
Notes to Financial Statements	27-36
Required Supplementary Information:	
Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances - Budget and Actual - All Governmental Funds And Proprietary Fund	37
Note to Required Supplementary Information - Budgetary Reporting	38
Schedule of Funding Progress for the Retiree Health Plan	39
Other Supplementary Information:	<u>Schedule</u>
Schedule of Changes in Special Revenue Fund, Student Activity Accounts	1 40
Schedule of Revenues by Source and Expenditures by Function - Governmental Funds	2 41
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	42-43
Schedule of Findings	44-46

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
Duane Reineke	President	2011
Bruce Bratland	Vice President	2011
Tom Olson		2013
Byron How		2013
Sharon Berte		2011

School Officials

Greg Darling	Superintendent
Cindy Halsrud	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report

To the Board of Education of
Twin Rivers Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Twin Rivers Community School District, Gilmore City, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Twin Rivers Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

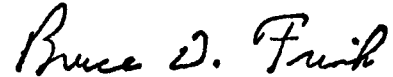
In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2012 on our consideration of Twin Rivers Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Twin Rivers Community School District's basic financial statements. The financial statements for the seven years ended June 30, 2010 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 2, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink that reads "Bruce D. Frink". The signature is written in a cursive, flowing style.

BRUCE D. FRINK
Certified Public Accountant

March 27, 2012

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Twin Rivers Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$2,704,273 in fiscal 2010 to \$2,535,690 in fiscal 2011, (a six percent decrease) while General Fund expenditures decreased from \$2,170,759 in fiscal 2010 to \$2,163,695 (virtually no change) in fiscal 2011.
- The District continued to receive sharing dollars from the Gilmore City-Bradgate District for students in grades nine through twelve. The District in return expended sharing dollars to Gilmore City-Bradgate for students in grades four through eight.
- The District discontinued its sharing agreement with the Gilmore City-Bradgate Community School District and will instead send grades six through twelve to Humboldt in FY12.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Twin Rivers Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Twin Rivers Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Twin Rivers Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information includes detailed information about the Student Activity Fund and a multiyear comparison of revenues and expenses.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1
Twin Rivers Community School District Annual Financial Report

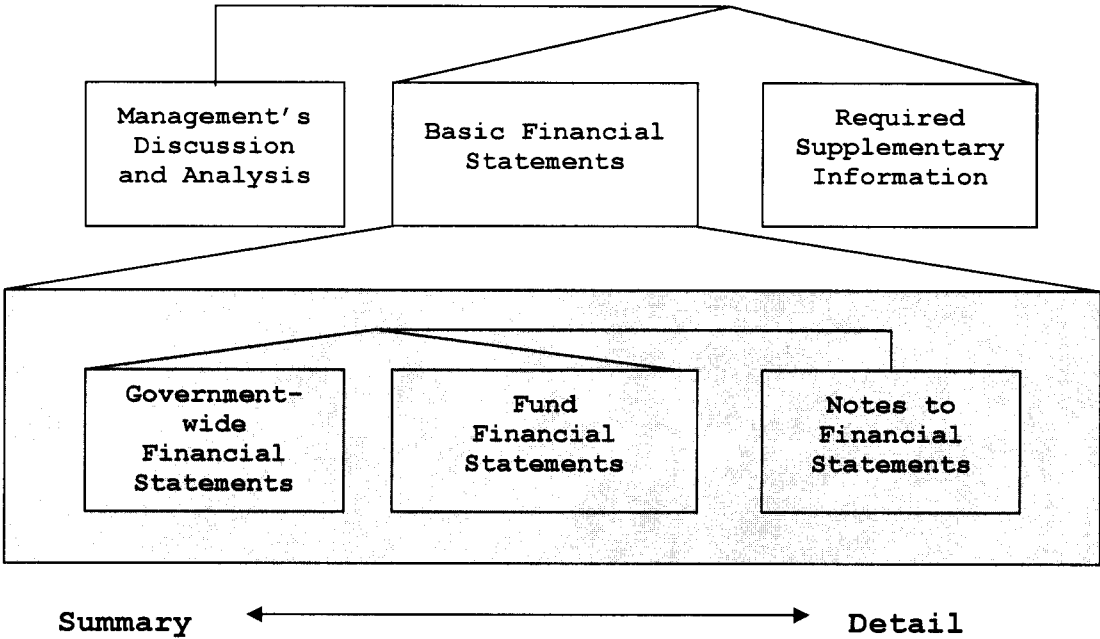


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and child care operations	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and childcare programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to include all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds; the School Nutrition Fund and Daycare Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2011 compared to June 30, 2010.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	June 30, 2011	June 30, 2010	2010-2011
Current assets	\$ 3,159	2,686	(95)	(70)	3,064	2,616	17.13%
Capital assets	535	509	10	18	545	527	3.42%
Total assets	3,694	3,195	(85)	(52)	3,609	3,143	14.83%
Current liabilities	1,417	1,375	-	1	1,417	1,376	2.98%
Non-current liabilities	137	173	-	-	137	173	100.00%
Total liabilities	1,554	1,548	-	1	1,554	1,549	0.32%
Net assets:							
Invested in capital assets, net of related debt	427	384	10	18	437	402	8.71%
Restricted	416	362	-	-	416	362	14.92%
Unrestricted	1,297	901	(95)	(71)	1,202	830	44.82%
Total net assets	\$ 2,140	1,647	(85)	(53)	2,055	1,594	28.92%

The District's combined net assets increased by over 28%, or approximately \$461,000 from the prior year. The largest portion of the District's net assets is invested in cash.

Unrestricted net assets, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased approximately 45%. Cost containment measures have been effective in maintaining the General Fund balance.

Figure A-4 shows the changes in net assets for the years ended June 30, 2011 compared to the year ended June 30, 2010

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total School District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 172	388	85	80	257	468	-45.09%
Operating grants, contributions and restricted interest	571	465	52	52	623	517	20.50%
General revenues:							
Property tax	1,336	1,383	-	-	1,336	1,383	-3.40%
Income surtax	182	184	-	-	182	184	-1.09%
Statewide sales, service and use tax	149	130	-	-	149	130	14.62%
Unrestricted state grants	443	398	-	-	443	398	11.31%
Unrestricted investment earnings	18	16	-	-	18	16	12.50%
Other	51	20	-	-	51	20	155.00%
Total revenues	2,922	2,984	137	132	3,059	3,116	-1.83%
Program expenses:							
Governmental activities:							
Instruction	1,562	1,624	-	-	1,562	1,624	-3.82%
Support Services	632	675	-	-	632	675	-6.37%
Non-instructional programs	-	-	169	151	169	151	11.92%
Other expenses	234	195	-	-	234	195	20.00%
Total expenses	2,428	2,494	169	151	2,597	2,645	-1.81%
Change in net assets	\$ 494	490	(32)	(19)	462	471	-1.91%

Property tax and unrestricted state grants account for 58% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 84% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$2,921,924 and expenses were \$2,428,363, for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-5						
Total and Net Cost of Governmental Activities						
(Expressed in Thousands)						
Total Cost of Services			Net Cost of Services			
2011	2010	Change 2010-2011	2011	2010	Change 2010-2011	
Instruction	\$ 1,562	1,624	-3.82%	680	768	-11.46%
Support services	632	675	-6.37%	598	615	-2.76%
Non-instructional programs	-	-	#DIV/0!	3	3	0.00%
Other expenses	234	195	20.00%	58	115	-49.57%
Totals	<u>\$ 2,428</u>	<u>2,494</u>	<u>-2.65%</u>	<u>1,339</u>	<u>1,501</u>	<u>-10.79%</u>

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$172,052.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$353,332.
- The net cost of governmental activities was financed with \$1,336,086 in property and other taxes and \$442,951 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$137,127 and expenses totaled \$169,240. The District's business type activities include the School Nutrition Fund and a Daycare Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

The Daycare Fund continues to lose money, over \$31,000 in FY11.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Twin Rivers Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balance of \$1,580,253, a thirty-four percent increase from last year's ending fund balances of \$1,178,315. An increase of over \$370,000 in the General Fund was the primary factor for such a large increase.

Governmental Fund Highlights

- The District's General Fund financial status increased this year primarily due to cost containment measures. Sharing of a superintendent with Humboldt began in FY11.
- The Physical Plant and Equipment Levy (PPEL levy) increased by over \$36,000. The District uses these funds for a variety of infrastructure projects.
- The Capital Projects, State Sales, Services and Use Tax Fund decreased by over \$31,000 in the fiscal year ending June 30, 2011. This money can be used for many of the same purposes as the District's PPEL levy. The District uses the funds for equipment and building projects.

Proprietary Fund Highlights

The school Nutrition Fund had an increase in cash balance. The Daycare Fund continues to decline in balance.

BUDGETARY HIGHLIGHTS

The District's receipts were \$176,335 less than budgeted receipts, a variance of 5%. The most significant variance resulted from the District receiving less in local and state revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year. The published budgeted amounts were not exceeded in any of the four functions. The District has a positive General Fund unspent authorized budget.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2011, the District had invested \$544,804, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 3% from last year. More detailed information about the District's capital assets is presented in Note 3 to the financial statements. Depreciation expense for the year was \$78,521.

The original cost of the District's capital assets was \$1,890,543. Governmental funds account for \$1,780,289, with the remainder of \$110,254 accounted for in the Proprietary, School Nutrition Fund.

Figure A-6
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 5	5	-	-	5	5	0.00%
Buildings	267	283	-	-	267	283	-5.65%
Improvements other than buildings	67	72	-	-	67	72	-6.94%
Furniture and equipment	196	149	10	18	206	167	23.35%
Totals	\$ 535	509	10	18	545	527	3.42%

Long-Term Debt

The District has \$108,151 remaining on two bus leases plus early retirement plan and other post employment benefits. They are described in further detail in the notes to the financial statements.

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Declining enrollment and the loss of the budget guarantee have caused revenues to decline while expenditures keep rising. Two retiring teachers from last year were not replaced to lower expenditures for the 2011 fiscal year.
- In 2011, the District received sharing dollars from the Gilmore City-Bradgate Community School District for the ninth through twelfth grades. The District in return expended sharing dollars to Gilmore City-Bradgate for students in grades four through eight.
- Beginning in FY12, the District will no longer receive sharing dollars for the students in grades four through eight because of the dissolution of the sharing arrangement with Gilmore City-Bradgate Community School District. Grades six through twelve will be sent to Humboldt.
- Unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Annie Rathke, Business Manager, Twin Rivers Community School District, 1408 9th Avenue North, Humboldt, Iowa 50548.

Basic Financial Statements

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 1,496,456	15,104	1,511,560
Receivables:			
Property tax:			
Current year	23,750	-	23,750
Succeeding year	1,255,081	-	1,255,081
Income surtax - succeeding year	161,672	-	161,672
Interfund receivable	125,518	(125,518)	-
Other receivables	96,833	12,417	109,250
Inventories	-	3,876	3,876
Capital assets, net of accumulated depreciation	535,196	9,608	544,804
Total assets	<u>3,694,506</u>	<u>(84,513)</u>	<u>3,609,993</u>
Liabilities			
Accounts payable	162,304	327	162,631
Deferred revenue:			
Succeeding year property tax	1,255,081	-	1,255,081
Long-term liabilities:			
Portion due within one year:			
Early retirement	4,000	-	4,000
Bus note payable	17,968	-	17,968
Portion due after one year:			
Net OPEB liability	24,775	-	24,775
Bus note payable	90,183	-	90,183
Total liabilities	<u>1,554,311</u>	<u>327</u>	<u>1,554,638</u>
Net assets			
Invested in capital assets	427,045	9,608	436,653
Restricted for:			
Categorical funding	14,293	-	14,293
Student activities	25,999	-	25,999
Management levy	40,160	-	40,160
School infrastructure	235,801	-	235,801
Physical plant and equipment levy	100,369	-	100,369
Unrestricted	1,296,528	(94,448)	1,202,080
Total net assets	<u>\$ 2,140,195</u>	<u>(84,840)</u>	<u>2,055,355</u>

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Nutrition and child care services	169,240	84,645	52,482	-	(32,113)	(32,113)
Total	<u>\$ 2,597,603</u>	<u>256,697</u>	<u>623,146</u>	<u>(1,685,647)</u>	<u>(32,113)</u>	<u>(1,717,760)</u>
General revenues:						
Property tax levied for:						
General purposes				\$ 1,202,655	-	1,202,655
Management fund				102,258	-	102,258
Capital outlay				31,173	-	31,173
Income surtaxes collected for:						
General purposes				182,077	-	182,077
Statewide sales, services and use tax				149,345	-	149,345
Unrestricted state grants				442,951	-	442,951
Unrestricted investment earnings				18,071	-	18,071
Other				50,678	-	50,678
Total general revenue				<u>2,179,208</u>	<u>-</u>	<u>2,179,208</u>
Change in net assets				493,561	(32,113)	461,448
Net assets beginning of year				<u>1,646,634</u>	<u>(52,727)</u>	<u>1,593,907</u>
Net assets end of year				<u>\$ 2,140,195</u>	<u>(84,840)</u>	<u>2,055,355</u>

* This amount excludes the depreciation that is included in the direct expenses of the various programs

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

Assets

Cash and pooled investments
Receivables:
Property tax:
Current year
Succeeding year
Income surtax - succeeding year
Interfund receivable
Other receivables

Total assets

	General	Student Activity	Management Levy	Capital Projects				Total
				Statewide Sales Use Tax	Physical Plant and Equipment Levy			
	\$ 1,125,459	25,999	33,454	212,014	99,530			1,496,456
	22,721	-	250	-	779			23,750
	972,484	-	250,000	-	32,597			1,255,081
	161,672	-	-	-	-			161,672
	125,518	-	6,292	6,175	-			137,985
	74,625	-	4,536	17,612	60			96,833
	<u>2,482,479</u>	<u>25,999</u>	<u>294,532</u>	<u>235,801</u>	<u>132,966</u>			<u>3,171,777</u>

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Total
				Statewide Sales Use Tax Levy	Physical Plant and Equipment Levy		
Liabilities:							
Accounts payable	161,932	-	372	-	-	-	162,304
Interfund payable	12,467	-	-	-	-	-	12,467
Deferred revenue:							
Succeeding year property tax	972,484	-	250,000	-	32,597	-	1,255,081
Succeeding year income surtax	161,672	-	-	-	-	-	161,672
Total liabilities	1,308,555	-	250,372	-	32,597	-	1,591,524
Fund balances:							
Restricted for:							
Categorical funding	14,293	-	-	-	-	-	14,293
Student activities	-	25,999	-	-	-	-	25,999
Management levy	-	-	44,160	-	-	-	44,160
School infrastructure	-	-	-	235,801	-	-	235,801
Physical plant and equipment levy	-	-	-	-	100,369	-	100,369
Unassigned	1,159,631	-	-	-	-	-	1,159,631
Total fund balances	1,173,924	25,999	44,160	235,801	100,369	-	1,580,253
Total liabilities and fund balances	\$ 2,482,479	25,999	294,532	235,801	132,966	3,171,777	

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2011

Total fund balances of governmental funds (Exhibit C)	\$ 1,580,253
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.	161,672
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	535,196
Long-term liabilities, including early retirement and other postemployment benefits are not due and payable in the current period and, therefore, are not reported in the governmental funds	<u>(136,926)</u>
Net assets of governmental activities (Exhibit A)	<u>\$ 2,140,195</u>

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	Capital Projects					Debt Service	Total
	General	Student Activity	Management Levy	Statewide Sales Services and Use Tax Levy	Physical Plant and Equipment Levy		
Revenues:							
Local sources:							
Local tax	\$ 1,360,394	-	102,258	149,345	31,173	-	1,643,170
Tuition	172,052	-	-	-	-	-	172,052
Other	129,036	41,615	7,711	19,042	7,644	-	205,048
State sources	687,651	-	48	-	15	-	687,714
Federal sources	186,557	-	-	-	-	-	186,557
Total revenues	2,535,690	41,615	110,017	168,387	38,832	-	2,894,541
Expenditures:							
Instruction	1,493,604	45,951	41,287	-	-	-	1,580,842
Support services:							
Student services	29,658	-	-	-	-	-	29,658
Instructional staff services	14,834	-	-	-	-	-	14,834
Administration services	327,452	-	-	-	-	-	327,452
Operation and maintenance of plant services	134,117	-	39,014	-	1,184	-	174,315
Transportation services	86,042	-	-	-	-	-	86,042
	592,103	-	39,014	-	1,184	-	632,301

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2011

	General	Student Activity	Management Levy	Capital Projects				Debt Service	Total
				Statewide Sales	Physical Plant and Equipment Levy	Use Tax Levy			
Other expenditures:									
AEA flowthrough	77,988	-	-	-	-	-	-	-	77,988
Long-term debt:									
Principal	-	-	-	-	-	-	-	17,164	17,164
Interest	-	-	-	-	-	-	-	5,881	5,881
Facilities acquisition and construction	-	-	-	177,087	4,385	-	-	-	181,472
	77,988	-	-	177,087	4,385	-	-	23,045	282,505
Total expenditures	2,163,695	45,951	80,301	177,087	5,569	-	-	23,045	2,495,648
Excess (deficiency) of revenues over (under) expenditures	371,995	(4,336)	29,716	(8,700)	33,263	-	(23,045)		398,893
Other financing sources (uses):									
Sale of property	20	-	-	-	3,025	-	-	-	3,045
Operating transfers in	-	-	-	-	-	-	-	23,045	23,045
Operating transfers out	-	-	-	(23,045)	-	-	-	-	(23,045)
Total other financing sources (uses)	20	-	-	(23,045)	3,025	-	-	23,045	3,045
Net change in fund balances	372,015	(4,336)	29,716	(31,745)	36,288	-	-	-	401,938
Fund balances beginning of year	801,909	30,335	14,444	267,546	64,081	-	-	-	1,178,315
Fund balances end of year	\$ 1,173,924	25,999	44,160	235,801	100,369	-	-	-	1,580,253

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 401,938

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities. This represents the change in income surtax receivable from the prior fiscal year. 24,338

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 95,756	
Depreciation expense	<u>(70,006)</u>	25,750

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due. 5,146

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 17,164

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	32,000	
Other postemployment benefits	<u>(12,775)</u>	<u>19,225</u>

Change in net assets of governmental activities (Exhibit B) \$ 493,561

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2011

	<u>School Nutrition</u>	<u>Daycare</u>	<u>Total</u>
Assets			
Cash and pooled investments	\$ 15,104	-	15,104
Other receivables	5,142	7,275	12,417
Inventories	3,876	-	3,876
Capital assets, net of accumulated depreciation	<u>9,608</u>	<u>-</u>	<u>9,608</u>
Total assets	<u>33,730</u>	<u>7,275</u>	<u>41,005</u>
Liabilities			
Accounts payable	-	327	327
Interfund payable	<u>-</u>	<u>125,518</u>	<u>125,518</u>
Total liabilities	<u>-</u>	<u>125,845</u>	<u>125,845</u>
Net assets			
Invested in capital assets			
Unrestricted	<u>33,730</u>	<u>(118,570)</u>	<u>(84,840)</u>
Total net assets	<u>\$ 33,730</u>	<u>(118,570)</u>	<u>(84,840)</u>

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2011

	School Nutrition	Daycare	Total
Operating revenue:			
Local sources:			
Charges for services	\$ 28,831	55,814	84,645
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	24,148	-	24,148
Benefits	3,502	-	3,502
Services	570	-	570
Supplies	34,488	-	34,488
Depreciation	8,515	-	8,515
Total operating expenses	71,223	-	71,223
Community service programs:			
Salaries	-	74,941	74,941
Benefits	-	8,933	8,933
Services	-	1,158	1,158
Supplies	-	12,985	12,985
	-	98,017	98,017
Total operating expenses	71,223	98,017	169,240
Operating (loss)	(42,392)	(42,203)	(84,595)
Non-operating revenues:			
Local sources	106	2,438	2,544
State sources	557	-	557
Federal sources	40,835	8,546	49,381
	41,498	10,984	52,482
Change in net assets	(894)	(31,219)	(32,113)
Net assets beginning of year	34,624	(87,351)	(52,727)
Net assets end of year	\$ 33,730	(118,570)	(84,840)

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Funds

Year ended June 30, 2011

	School Nutrition	Daycare	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 22,988	53,045	76,033
Cash payments to employees for services	(27,650)	(83,874)	(111,524)
Cash payments to suppliers for goods or services	(26,569)	(13,816)	(40,385)
Net cash (used by) operating activities	(31,231)	(44,645)	(75,876)
Cash flows from non-capital financing activities:			
Local sources	106	2,438	2,544
State grants received	557	-	557
Federal grants received	33,998	8,546	42,544
Net cash provided by non-capital financing activities	34,661	10,984	45,645
Cash flows from capital financing activities:			
Loan from General Fund	-	33,661	33,661
Net increase (decrease) in cash and cash equivalents	3,430	-	3,430
Cash and cash equivalents beginning of year	11,674	-	11,674
Cash and cash equivalents end of year	\$ 15,104	-	15,104
Reconciliation of operating (loss) to net cash (used by) operating activities:			
Operating (loss)	\$ (42,392)	(42,203)	(84,595)
Adjustments to reconcile operating (loss) to net cash (used by) operating activities:			
Depreciation	8,515	-	8,515
Commodities used	6,837	-	6,837
Decrease(Increase) in receivables	(5,039)	(2,769)	(7,808)
Decrease in inventory	1,652	-	1,652
Increase in accounts payable	-	327	327
(Decrease) in deferred revenue	(804)	-	(804)
	\$ (31,231)	(44,645)	(75,876)

Non-cash investing, capital and financing activities:

During the year ended June 30, 2011, the District received federal commodities valued at \$6,837.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Fund <u>Scholarship</u>
Assets	
Cash and pooled investments	\$ 45,502
Land	<u>50,000</u>
Total assets	<u>95,502</u>
Net Assets	
Reserved for scholarships	<u>\$ 95,502</u>

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

Year ended June 30, 2011

	Private Purpose Trust Fund <u>Scholarship</u>
Additions:	
Local sources:	
Rent	\$ 27,439
Interest on investments	296
Total additions	<u>27,735</u>
Deductions:	
Support services:	
Property taxes	2,309
Miscellaneous	1,362
Scholarships	<u>8,870</u>
Total deductions	<u>12,541</u>
Change in net assets	15,194
Net assets beginning of year	<u>80,308</u>
Net assets end of year	<u>\$ 95,502</u>

See notes to financial statements.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2011

(1) Summary of Significant Accounting Policies

Twin Rivers Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. The geographic area served includes the Cities of Bode and Livermore, Iowa, and agricultural area in Humboldt and Kossuth Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. The District also contracted, as explained in Note 6, with the Gilmore City-Bradgate Community School District to educate students in grades four through twelve.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Twin Rivers Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. The Twin Rivers Community School District has one component unit that meets the Governmental Accounting Standards Board criteria. The Twin Rivers Education Foundation has been included as a blended component unit and is included in the District's financial statements as a private purpose trust fund.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Humboldt County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to include all funds as major funds for clarity of presentation

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Capital Projects, Statewide Sales, Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects, Physical Plant and Equipment Levy Fund is used to purchase equipment (over \$500 per item) and for major repairs and improvements to buildings and grounds. It is funded primarily through a combination of property tax and income surtax.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, Daycare and School Nutrition Funds. These funds are used to account for the child care and food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund is the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. There were no intangible assets that exceeded the threshold for capitalization.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	5,000
Improvements other than buildings	5,000
Intangibles	25,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	5-20 years
Intangibles	3-10 years
Furniture and equipment	3-15 years

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences - District employees accumulated a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2011.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011 expenditures did not exceed the amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2011.

(3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,000	-	-	5,000
Capital assets being depreciated:				
Buildings	911,875	-	-	911,875
Improvements other than buildings	213,934	-	-	213,934
Furniture and Equipment	553,724	95,756	-	649,480
Total capital assets being depreciated	1,679,533	95,756	-	1,775,289
Less accumulated depreciation for:				
Buildings	628,445	16,477	-	644,922
Improvements other than buildings	141,737	5,622	-	147,359
Furniture and Equipment	404,905	47,907	-	452,812
Total accumulated depreciation	1,175,087	70,006	-	1,245,093
Total capital assets being depreciated, net	504,446	25,750	-	530,196
Governmental activities, capital assets, net	\$ 509,446	25,750	-	535,196
Business type activities:				
Furniture and equipment	\$ 110,254	-	-	110,254
Less accumulated depreciation	92,131	8,515	-	100,646
Business type activities capital assets, net	\$ 18,123	(8,515)	-	9,608
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 70,006
Business type activities:				
Food service operations				\$ 8,515

(4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$63,315, \$74,372, and \$68,179 respectively, equal to the required contributions for each year.

(5) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the Area Education Agency. The District's actual amount for this purpose totaled \$77,988 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) Whole Grade Sharing

During the 2010/2011 school year the District was entered into a contract with Gilmore City-Bradgate Community School District to complete the academic and extra-curricular needs of students in grades four through twelve. All regular education students in grades nine through twelve attended the Twin Rivers Community School District. All regular education students in grades four through eight attended the Twin Rivers Community School District. This agreement expired on June 30, 2011. An agreement has been entered into with the Humboldt Community School District for one way sharing grades 6 through 12. All students 6 through 12 will be attending Humboldt Community School District. Grades kindergarten through 5 will be educated in Bode.

(7) Risk Management

Twin Rivers Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

(8) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 21 active members and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit rate subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 31,000
Interest on net OPEB Obligation	775
Adjustment to annual required contribution	-
Annual OPEB Cost	<u>31,775</u>
Contributions made	<u>(19,000)</u>
Increase in net OPEB obligation	<u>12,775</u>
Net OPEB obligation beginning of year	<u>12,000</u>
Net OPEB obligation end of year	<u>\$ 24,775</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 3,100	61.3%	\$12,000
June 30, 2011	\$31,775	59.8%	\$24,775

Funded Status and Funding Progress - As of July 1, 2009, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$304,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$304,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$993,000 and the ratio of the UAAL to covered payroll was 30.6%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2009 actuarial valuation date, the alternative measurement method was used. The actuarial assumptions includes a 4.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The ultimate medical trend rate is 5%. The medical trend rate is reduce 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement probabilities from the IPERS Actuarial Report as of June 30, 2007 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2007.

Projected claim costs of the medical plan are \$16,333 per year for retirees less than age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(9) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Governmental activities:					
Bus Notes Payables	\$125,315	-	17,164	108,151	17,968
Termination Benefits	36,000	4,000	36,000	4,000	4,000
Net OPEB Liability	<u>12,000</u>	<u>12,775</u>	<u>-</u>	<u>24,775</u>	<u>-</u>
Total	<u>\$173,315</u>	<u>16,775</u>	<u>53,164</u>	<u>136,926</u>	<u>21,968</u>

Termination Benefits

The District offers a voluntary early retirement plan to its employees. Eligible employees must have completed at least fifteen years of service to the District and must have reached the age of fifty-five on or before June 30 in the calendar year in which early retirement commences. The application for early retirement is subject to approval by the Board of Education and no more than two employees per year will be granted benefits under the policy.

At June 30, 2011, the District has an obligation to one participant with a total liability of \$4,000. Actual early retirement expenditures for the year ended June 30, 2011 totaled \$36,000.

Bus Notes Payable

The District issued \$145,360 of notes during the year ended June 30, 2010 to purchase two buses. These notes and the interest will be paid from the Capital Projects Fund. Details of the notes are as Follows:

<u>Year Ending June 30,</u>	<u>Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	0.0%	\$ 17,968	5,077	23,045
2013	0.0	<u>90,183</u>	<u>4,236</u>	<u>94,419</u>
Total		<u>\$108,151</u>	<u>9,313</u>	<u>117,464</u>

During the year ending June 30, 2011 the District made principal and interest payments totaling \$23,045 under the note agreements.

(10) Long-Term Liabilities

At June 30, 2011 the Enterprise Daycare Fund had a deficit net assets balance of \$118,570.

(11) Interfund Receivables and Payables

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivables Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Non-major, Management Fund	General Fund	\$ 6,292
Non-major, Capital Projects Fund	General Fund	6,175
General Fund	Daycare Fund	125,518

The interfund receivable/payable represents monies loaned for cash flow.

(12) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Non-major, Debt Service Fund	Non-major, Capital Projects Fund	\$ <u>23,045</u>

The transfers moved revenues from the funds statutorily required to collect the resources to expend the resources.

(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	64,081
Change in fund type classification per implementation of GASB Statement No. 54	<u>64,081</u>	<u>(64,081)</u>
Balances July 1, 2010, as restated	<u>\$64,081</u>	<u>-</u>

Required Supplementary Information

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues:						
Local sources	\$ 2,020,270	87,189	2,107,459	2,258,344	2,258,344	(150,885)
State sources	687,714	557	688,271	811,659	811,659	(123,388)
Federal sources	186,557	49,381	235,938	138,000	138,000	97,938
Total revenues	<u>2,894,541</u>	<u>137,127</u>	<u>3,031,668</u>	<u>3,208,003</u>	<u>3,208,003</u>	<u>(176,335)</u>
Expenditures/Expenses:						
Instruction	1,580,842	-	1,580,842	1,823,676	1,823,676	242,834
Support services	632,301	-	632,301	902,171	902,171	269,870
Non-instructional programs	-	169,240	169,240	199,343	199,343	30,103
Other expenditures	282,505	-	282,505	665,815	665,815	383,310
Total expenditures/expenses	<u>2,495,648</u>	<u>169,240</u>	<u>2,664,888</u>	<u>3,591,005</u>	<u>3,591,005</u>	<u>926,117</u>
Excess (deficiency) of revenues over (under) expenditures/expenses	398,893	(32,113)	366,780	(383,002)	(383,002)	749,782
Other financing sources (uses)	<u>3,045</u>	<u>-</u>	<u>3,045</u>	<u>5,000</u>	<u>5,000</u>	<u>(1,955)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures/expenses and other financing uses	401,938	(32,113)	369,825	(378,002)	(378,002)	747,827
Balance beginning of year	<u>1,178,315</u>	<u>(52,727)</u>	<u>1,125,588</u>	<u>1,065,895</u>	<u>1,065,895</u>	<u>59,693</u>
Balance end of year	<u>\$ 1,580,253</u>	<u>(84,840)</u>	<u>1,495,413</u>	<u>687,893</u>	<u>687,893</u>	<u>807,520</u>

See accompanying independent auditor's report.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2011

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated function level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2011, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2010	Jul 1, 2009	\$0	\$304	\$304	0.0%	\$970	31.3%
2011	Jul 1, 2009	\$0	\$304	\$304	0.0%	\$993	30.6%

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletics	\$ 2,523	17,549	16,159	3,913
Elementary spirit	116	5,003	1,285	3,834
High school spirit	5,900	3,500	4,256	5,144
Student council	356	2,148	1,947	557
Drill team	4,269	4,694	6,676	2,287
Spanish club	1,255	13	-	1,268
Cheerleaders	(36)	752	715	1
National Honor Society	88	12	16	84
Renaissance	309	-	-	309
Speech/drama	142	2,279	1,612	809
Red, white, blue crew	4	12	-	16
Student pictures	21	-	-	21
Parents/teachers 4 kids	1,626	283	1,909	-
Class of 2013	479	1,020	1,412	87
Class of 2014	-	135	-	135
Class of 2012	1,016	2,749	3,479	286
Positive behavior supports	1,710	10	1,720	-
Class of 2009	5	-	-	5
Class of 2010	579	1	-	580
Class of 2011	1,288	328	1,015	601
French club	188	13	-	201
Yearbook	8,497	1,114	3,750	5,861
Total	\$ 30,335	41,615	45,951	25,999

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Eight Years

	Modified Accrual Basis							
	2011	2010	2009	2008	2007	2006	2005	2004
Revenues:								
Local sources:								
Local tax	\$ 1,643,170	1,674,445	1,650,709	1,450,158	1,266,904	1,262,332	1,194,481	1,270,862
Tuition	172,052	225,743	271,697	267,517	264,904	271,106	274,671	267,762
Other	205,048	201,629	220,358	207,383	261,665	211,712	213,457	213,198
Intermediate sources	-	16,000	15,000	-	-	-	-	-
State sources	687,714	619,041	774,837	753,438	701,089	697,987	673,656	708,599
Federal sources	186,557	227,870	85,304	63,932	113,519	187,679	174,996	109,385
Total	<u>\$ 2,894,541</u>	<u>2,964,728</u>	<u>3,017,905</u>	<u>2,742,428</u>	<u>2,608,081</u>	<u>2,630,816</u>	<u>2,531,261</u>	<u>2,569,806</u>
Expenditures:								
Instruction	\$ 1,580,842	1,572,598	1,709,361	1,627,752	1,630,137	1,698,014	1,660,962	1,423,257
Support services:				-				
Student	29,658	21,617	26,770	25,545	57,376	24,309	85,231	81,635
Instructional staff	14,834	59,694	105,488	102,398	106,626	129,070	28,366	26,757
Administration	327,452	319,548	352,617	367,227	344,898	369,144	375,184	364,059
Operation and maintenance of plant	174,315	170,560	214,689	194,587	207,671	245,557	256,474	231,943
Transportation	86,042	222,148	81,440	78,746	210,387	136,270	78,313	317,797
Non-instructional programs	-	-	-	-	-	-	260	-
Other expenditures:								
Facilities acquisition	181,472	143,220	111,320	5,201	41,559	228,534	44,625	10,415
Long-term debt								
Principal		23,045	17,585	76,852	143,284	73,417	22,335	82,097
Interest and other charges		-	4,705	7,454	4,133	9,817	5,883	2,540
AEA flowthrough	77,988	77,067	72,587	70,247	68,762	66,796	66,506	69,597
Total	<u>\$ 2,472,603</u>	<u>2,609,497</u>	<u>2,696,562</u>	<u>2,556,009</u>	<u>2,814,833</u>	<u>2,980,928</u>	<u>2,624,139</u>	<u>2,610,097</u>

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Financial Statement Preparation
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Twin Rivers Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Twin Rivers Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 27, 2012. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Twin Rivers Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Twin Rivers Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Twin Rivers Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part I of the accompanying Schedule of Findings as items I-A-11 and I-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

202 Central Avenue East
P.O. Box 241
Clarion, IA 50525

Phone: (515) 532-6659
Fax: (515) 532-3677
bruce@frinkcpa.com

Compliance and Other Matters

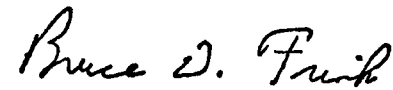
As part of obtaining reasonable assurance about whether Twin Rivers Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Twin Rivers Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Twin Rivers Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Twin Rivers Community School District and other parties to whom Twin Rivers Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Twin Rivers Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 27, 2012

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part I: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

INTERNAL CONTROL DEFICIENCIES

I-A-11 Segregation of Duties - During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the District's financial statements. We noted that one individual has custody of receipts and performs all record-keeping and reconciling functions for the office.

Recommendation - We realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response - We will continue to review our procedures and implement additional controls where possible.

Conclusion - Response accepted.

I-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the amounts budgeted.
- II-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-11 Business Transactions - No business transactions between the District and District officials or employees were noted.
- II-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-11 Certified Enrollment - No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.
- II-I-11 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Department of Education.
- II-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

TWIN RIVERS COMMUNITY SCHOOL DISTRICT

Schedule of Findings

Year ended June 30, 2011

Part II: Other Findings Related to Required Statutory Reporting:
(continued)

II-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 267,546
Revenues/transfers in:		
Sales tax revenues	\$149,345	
Other local revenues	<u>19,042</u>	<u>168,387</u>
		435,933
Expenditures/transfers out:		
School infrastructure construction	\$107,033	
Equipment	70,054	
Transfer to other funds:		
Debt service funds	<u>23,045</u>	<u>200,132</u>
Ending balance		<u>\$335,801</u>

For the year ended June 30, 2011, the District did not reduce any levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.